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INFO OCT-01 CCO-00 SSO-00 ISO-00 NSC-05 NSCE-00 /016 R

66604

DRAFTED BY S/S-O:RKUCHEL

2/13/75

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C O N F I D E N T I A L STATE 033263

TOSEC 192

FOLLOWING SENT SECSTATE WASHDC BEIRUT FROM TEHRAN 13 FEB 75:

QUOTE C O N F I D E N T I A L TEHRAN 1402

FOR UNDER SECRETARY INGERSOLL FROM TABOR

DEPARTMENT PLEASE PASS SECRETARY OF COMMERCE DENT,
SECRETARY OF TREASURY SIMON, FEA ADMINISTRATOR ZARB, SECRETARY
OF INTERIOR MORTON

BEIRUT FOR UNDER SECRETARY TABOR

E.O. 11652: GDS

TAGS: ENRG

SUBJ: OIL: MEETING WITH IRANIAN MINISTER AMOUZEGAR

1. COMMERCE UNDER SECRETARY TABOR, ACCOMPANIED BY
TREASURY ASSISTANT SECRETARY PARSKY AND CHARGE MIKLOS,
MET FOR HOUR TWENTY-FIVE MINUTES WITH IRANIAN INTERIOR
MINISTER AMOUZEGAR FEBRUARY 10 AND DISCUSSED ENERGY
CONSERVATION, DOLLAR RECYCLING, INFLATION AND INDEXING.
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2. UNDER SECRETARY ASKED MR. PARSKY TO GIVE FIRST HAND REPORT ON PARIS E.E.A. MEETING. PARSKY DID SO FULLY EMPHASIZING THREE ASPECTS OF U.S. APPROACH, (1) CONSERVATION, (2) FINANCE, INVESTMENT AND RECYCLING, AND (3) ALTERNATE SOURCES OF ENERGY. ON LATTER, PARSKY SAID U.S. REGARDED FLOOR PRICE AS ONE WAY, NOT ONLY WAY TO DEVELOP ALTERNATE SOURCES, AND U.S. HOSPITABLE TO OTHER METHODS, OR COMBINATIONS.

3. MINISTER AMOUZEGAR RESPONDED SAYING SHAH APPLAUDED CONSERVATION, HE AMOUZEGAR DISAPPOINTED U.S. DID NOT ADVOCATE FLOOR PRICE BECAUSE HE BELIEVED FLOOR PRICE NECESSARY TO DEVELOP ALTERNATE SOURCES WHILE IRAN COULD PRODUCE AT 15 CENTS A BARRELL AND BREAK MARKET AT ANY TIME.

4. MINISTER AMOUZEGAR THEN SPOKE AT LENGTH AND WITH FEELING ON RECYCLING STATING U.S. INCONSISTENT OR CONFUSED IN ACCUSING PRODUCERS OF DESTROYING WORLD ECONOMIC STABILITY, URGING RECYCLING BUT REFUSING INVESTMENTS BY PRODUCERS IN U.S. HE CITED CONSUMERS' REDUCTION OF PRODUCER CONTRIBUTION TO IMF EMERGENCY FUND FROM DOLS 12 BILLION TO DOLS 6 BILLION, CITIZEN AND MEDIA OPPOSITION TO ARAB INVESTMENT IN CALIFORNIA AND DETROIT BANKS AND PAN AMERICAN. LAST REFERENCE ONLY TOUCHED VERY LIGHTLY. HE NOTED NEWSWEEK REFERENCE TO "NON AYRIAN" BASIS OF OPPOSITION -- ASKED FOR LOGIC NOT PREJUDICE, AND SUGGESTED POWERFUL FORCES AT WORK IN LOBBIES AND MEDIA TO DRIVE USG AND PRODUCERS APART.

5. PARSKY REPLIED THAT USG INVESTMENT POLICY IS AND HAS BEEN TO WELCOME INVESTMENT, THAT THERE ARE PERSONS RESISTING CONSUMER INVESTMENTS, THAT CONSUMERS NEEDED TO INFORM PUBLIC BETTER ON PURPOSES OF INVESTMENT AND RECOGNIZE THAT DIFFERENT INVESTMENTS PRESENT DIFFERENT ACCEPTANCE SITUATIONS.

6. MINISTER AMOUZEGAR THEN MOVED TO INFLATION AND INDEXING. ON CHARGE OF OIL PRICES PRODUCING INFLATION, HE NOTED THAT IN 1974 OIL PRICES ROSE 9 PLUS PERCENT, CONFIDENTIAL

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BUT INDUSTRIALIZED COUNTRY PRICES ROSE 14 PERCENT ACCORDING TO EC STATISTICS AND DOLLAR VALUE DROPPED 10 PERCENT LEAVING PRODUCERS AS NET VICTIMS OF INFLATION IN '74. AFTER PARSKY REFERRAL TO PERIOD 1973-1974, AMOUZEGAR SAID REAL ISSUE IS INDUSTRIAL WORLD INFLATION FROM 1947 TO 1974 VERSUS OIL PRICE INFLATION SAME PERIOD. HE STATED PRODUCERS BEGGED OIL COMPANIES FOR INCREASED PRICES, BUT WERE REFUSED, AND GOVERNMENTS OF COMPANIES

MUST TAKE BLAME. HE STATED PRODUCERS INCREASED PRICE IN '73 TO CATCH UP WITH INCREASES WHICH WERE OVERDUE. HE STATED PRODUCERS WOULD AGREE TO PRICE THAT WAS INDEXED TO INFLATION FROM 1947 TO DATE, AND COMPENSATED PRODUCERS FOR AMOUNTS THEY SHOULD HAVE HAD ON THEIR PRODUCTION TO EQUAL INFLATION OVER SAID PERIOD TO DATE, PLUS INTEREST THEREON.

7. MINISTER AMOUZEGAR THEN NOTED USG INCONSISTENCY IN ATTACKING INFLATIONARY OIL PRICE INCREASES, BUT IMPOSING IMPORT FEES AND TAXES ON OIL. HE SAID WHAT IS DIFFERENCE? UNDER SECRETARY POINTED OUT TWO DIFFERENCES: U.S. FEES AND TAXES PRESERVED THE DOLLARS INVOLVED WITHIN THE U.S. ECONOMY, AND ADMINISTRATION ENERGY PROPOSAL REINFUSES THE DOLS 30 BILLION OF TAXES IHTO HANDS OF THOSE HIT BY INFLATION, VIA TAX REDUCTION.

8. MINISTER AMOUZEGAR THEN URGED DISCUSSIONS BETWEEN CONSUMERS AND PRODUCERS SOON, NOTING THAT PRODUCERS NOW BEING URGED TO EXPAND THEIR CARTEL TO ALL RAW MATERIALS AND THAT IF THAT OCCURS, ISSUES BECOME VASTLY MORE COMPLICATED, INTER-RELATED AND DIFFICULT TO SOLVE.

9. VARIOUS U.S. COMMENTS AND RESPONSES OMITTED HEREIN IN BELIEF THAT THE IMPORTANT THING IS TO KNOW AMOUZEGAR'S ARGUMENTS.

10. MINISTER AMOUZEGAR WAS AT ALL TIMES UNHURRIED. HE APPEARED TO WELCOME OPPORTUNITY TO HEAR U.S. VIEWS AND STATE HIS TO SENIOR U.S. OFFICIALS. HELMS UNQUOTE INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN INVESTMENT, INFLATION, DIPLOMATIC DISCUSSIONS, PRICES, TOSEC 192
Control Number: n/a
Copy: SINGLE
Draft Date: 13 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: buchandr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE033263
Document Source: CORE
Document Unique ID: 00
Drafter: O:RKUCHEL
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750053-0161
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750245/aaaabobc.tel
Line Count: 145
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: buchandr
Review Comment: n/a
Review Content Flags:
Review Date: 16 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 MAY 2003 by ifshinsr>; APPROVED <08 OCT 2003 by buchandr>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OIL: MEETING WITH IRANIAN MINISTER AMOUZEGAR
TAGS: ENRG, (AMUZEGAR, JAMSHID)
To: JERUSALEM
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006